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Department of Employee Trust Funds  
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**DATE:** November 25, 2005

**TO:** Employee Trust Funds Board  
Teachers Retirement Board  
Wisconsin Retirement Board

**FROM:** Vicki Poole, Director of Legislation, Communications and Planning  
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**SUBJECT:** Legislative Report

**REMEDIAL LEGISLATION**

Remedial legislation contains items that are considered technical corrections. In most cases, this type of legislation aligns statutes with current practices and procedures that have evolved over time and/or brings state statutes in compliance with federal statutes.

The Department had a hearing on its proposed remedial legislation on November 8, 2005. Six of the proposed amendments were accepted by the Law Review Committee and will now become part of the Revisor's Bill:

1. INCOME CONTINUATION INSURANCE EMPLOYER ERROR (LRB-0864/P1)  
Create 40.61 (5)

**PURPOSE:** This change would provide consistency in administration with other benefit plans of the Department by allowing an otherwise eligible participant to be covered by income continuation insurance despite an employer error.

2. WI DEFERRED COMPENSATION (LRB-0869/P2)  
Create s. 40.80 (2) (g)

**PURPOSE:** This change would incorporate requirements of the federal tax code by clarifying that the Wisconsin Deferred Compensation Program is a trust. It also establishes the Deferred Compensation Board members as trustees with fiduciary responsibility. The proposed change has no fiscal impact.

3. DEATH BENEFIT WAIVER (LRB-0870/P2)  
Amend s. 40.74 (2)

**PURPOSE:** This change would clarify that a beneficiary may waive part or all of an eligible death benefit. There is no fiscal impact.

Reviewed and approved by Dave Stella, Deputy Secretary

Signature

Date

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4. HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT COMPLIANCE WITH MEDICAL RECORDS ACCESS (LRB-0872-/P1)  
Renumber s. 40.07 (1) to s. 40.07 (intro.)  
Amend s. 40.07 (2)

**PURPOSE:** These changes would conform state statute to the federal Health Insurance and Portability Accountability Act. The purpose of that Act is to protect the privacy of individual personal information. The changes have no fiscal impact.

5. FIXED FUND NAME CHANGES (LRB-0874/P2)

**PURPOSE:** This proposal would change the name of the fixed annuity reserve to the core annuity reserve.

6. OTHER GOVERNMENTAL SERVICE (LRB-0876/P3)  
Amend ss. 40.23 (3) and 40.285 (4) (d)  
Renumber and amend Section 40.73 (1) (am)  
Create Section s. 40.73 (1) (am) 1., 2. and 3.

**PURPOSE:** This change would provide consistency between the state statutes governing Other Governmental Service purchase and the money purchase retirement and active death benefit provisions under the Wisconsin Retirement System (WRS). There is no fiscal impact.

### **2005 LEGISLATIVE SESSION UPDATE**

The following is an update of bills introduced during the 2005 legislative session. Actions taken are listed in *italics* following a description of each bill. Activity that is new since the last Board meeting is marked with an asterisk. Please note that the only new bill introduced since our last meeting was AB747.

**AB 81** provides for changes affecting creditable military service under the WRS to allow such service served at any time, not just before 1974.

*Introduced by Rep. Musser 2/3/05. Referred to Joint Survey Committee on Retirement Systems (JSCRS).*

**AB 94** expands the authority of villages to create combined protective services departments.

*Introduced by Rep. Montgomery 2/8/05. Referred to Urban and Local Affairs. Public hearing held 3/22. Passed. Senate concurred 4/12. Approved by Governor 4/29. 2005 WI Act 3. Published 5/13.*

**AB 225** classifies county jailers as protective occupation participants for purposes of the WRS.

*Introduced by Rep. Freese 3/16/05. Referred to Corrections and the Courts and JSCRS. Public hearing held 5/18. Passed.*

**AB 232** classifies employees of the Department of Military Affairs who perform security functions at weapons facilities owned by the state as protective occupation participants for purposes of the WRS.

*Introduced by Rep. Musser 3/16/05. Referred to Military Affairs and JSCRS. Public hearing held 3/30.*

**AB 233** classifies certain librarians, teachers, and social workers employed by the state as protective occupation participants for purposes of the WRS.

*Introduced by Rep. Musser 3/16/05. Referred to Corrections and the Courts and the JSCRS. Public hearing held 5/18.*

**AB 267** restricts payment of employee required contributions by local units of government under the WRS.

*Introduced by Rep. Gottlieb 3/28/05. Referred to JSCRS.*

**AB 276** provides for changes affecting crediting of required and additional contributions to the variable annuity division under the WRS.

*Introduced by Rep. Schneider 3/28/05. Referred to JSCRS.*

**AB 361** changes the minimum age for qualifying for a retirement annuity under the WRS to 59.5.

*Introduced by Rep. Hahn 4/22/05. Referred to JSCRS.*

**AB 575** provides for classification of social workers as protective occupation participants under the WRS.

*Introduced by Rep. Grigsby 7/21/05. Referred to JSCRS.*

**AB 590** provides that if a participant elects an annuity option in which his or her named survivor is to receive 75 percent of the annuity paid to the annuitant, any such reduction in the annuity amount must not take effect until the first day of the fourth month after the annuitant or named survivor dies (same as SB 267).

*Introduced by Rep. Vrakas 8/2/05. Referred to JSCRS.*

**AB 598** provides that any WRS participant who at the time of death was a participating employee who died between January 1, 1999, and December 31, 1999, shall have his or her death benefit retroactively increased.

*Introduced by Rep. Cullen 8/9/05. Referred to JSCRS.*

**\*AB 747** provides that non-teaching employees need only work 990 hours in an annual earnings period to receive one year of creditable service.

*Introduced by Rep. Sherman 10/11. Referred to JSCRS.*

**SB 30** exempts from taxation certain amounts of payments or distributions received each year by an individual from a retirement plan, if such payments are not already exempt from taxation. The exemptions in the bill relate to all qualified pension, profit-sharing, and stock bonus plans under the Internal Revenue Code (IRC), deferred compensation plans offered by state and local governments and tax-exempt organizations under the IRC, self-employed plans, tax-sheltered annuities, plans that are not qualified under the IRC, and individual retirement accounts. The bill first applies to taxable year 2006 and the exemption amount increases each year.

*Introduced by Sen. Kedzie 1/27/05. Referred to Job Creation, Economic Development and Consumer Affairs. Public hearing held 4/19. Senate sub. Amendment 1 adopted. Passed committee 4/22. Referred to Joint Committee on Finance.*

**SB 60** exempts from taxation up to \$10,000 of pension payments received each year by an individual, if such payments are not already exempt from taxation.

*Introduced by Sen. Wirth 2/15/05. Referred to the Joint Survey Committee on Tax Exemptions.*

**SB 254** requires that educational support personnel employees and teachers, librarians, and administrators must be treated the same in terms of qualifying for coverage under the WRS.

*Introduced by Sen. Risser 7/5/05. Referred to JSCRS.*

**SB 267** provides that if a participant elects an annuity option in which his or her named survivor is to receive 75 percent of the annuity paid to the annuitant, any such reduction in the annuity amount must not take effect until the first day of the fourth month after the annuitant or named survivor dies (same as AB 590).

*Introduced by Sen. Brown 7/27/05. Referred to JSCRS.*

**SB 314** grants military service credit under the WRS for service in the Commissioned Corps of the federal National Oceanic and Atmospheric Administration and the federal Environmental Science Services Administration.

*Introduced by Sen. Risser 8/31/05. Referred to JSCRS.*

**SB 316** requires ETF to make available for public inspection and copying records of ETF pertaining to participants who hold or held an elective state public office, including the amount and type of retirement annuity that is paid, payable or projected.

*Introduced by Sen. Reynolds 9/7/05. Referred to JSCRS.*

**\*New activity since last Board meeting.**